> such an adjustment. The Commission concurs with ComEd as to this issue. Further, the Commission finds the cases presented by the AG to be inapplicable and without merit. The Commission agrees with ComEd's assertion that the effect of the AG's proposed adjustment would be to inappropriately bring the test year into the future for accumulated depreciation. The Commission rejects the AG's proposed adjustment. Order at 15, Docket 05-0597 (July 26, 2006).

No different here, Utilities argue, the GCI's proposed adjustments to the Depreciation Reserves do not correlate to any *pro forma* plant additions or to any plant adjustment proposed by any of the parties. Instead, and in a summary fashion, GCI's proposed adjustments take one part of rate base and move it into the future. Based on the foregoing, the Utilities contend that GCI's proposed adjustments to the Depreciation Reserve are not warranted, violate test year rate making principles, and are not appropriate under the *pro forma* adjustments rule, 83 Il Admin. Code § 287.40.

Further still, the Utilities would note that Mr. Effron's proposal miscalculates the Utilities' costs of removal, because it does not comport with how the Utilities account for these costs. According to the Utilities, he erroneously proposes to deduct amounts for costs of removal from the Depreciation Reserves when, instead, they should be added to depreciation expenses, and this would increase the revenue requirements. And, Utilities add that his figures are wrong. NS-PGL Ex. SF-2.0 at 11-12; NS-PGL Ex. SF-4.0 at 9-10 (also noting that the Commission has accepted the Utilities' accounting for costs of removal over several decades).

e) Commission Analysis and Conclusion

All parties agree that this issue has been previously addressed by the Commission. All parties largely agree that the facts differ from one case to another. All parties should agree that Commission action brings certainty to a situation and settles expectations. This is another way of saying that unless there are clear and distinguishable reasons for deciding a case differently, the Commission will follow in line with precedent. To do otherwise risks a charge of arbitrary and capricious action.

There is much debate as to which of the decided cases are most reflective of the instant situation. Having reviewed the evidence and the parties' arguments, we find that the facts at hand most closely resemble the situation that we most recently considered in Docket 05-0597 (that concerns Commonwealth Edison Company). In that proceeding, then AG witness Effron proposed to increase through the end of 2005, the entire depreciation pertaining to all plant that went into service prior to and in the 2004 test year. Order at 12, Docket 05-0597. The proposal of GCI witness Effron is essentially the same in this case.

Here, as in Docket 05-0597, the Utilities made depreciation adjustments for post-test year plant that comprises its pro forma additions. Here, as in Docket 05-0597, the Utilities argue that the proposed adjustment is one-sided and unfair. Here, as in Docket 05-0597, the Utilities argue that the proposal presented by the intervening party violates Section 287.40 and test year rate-making principles. Here, as in Docket 05-0597, the Utilities argue that the proposed adjustment merely takes one part of rate base and

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moves it one additional year into the future. Here, as in Docket 05-0597, the same Orders entered in earlier dockets are being asserted by the intervening parties in support of their position.

In our conclusion for Docket 05-0597 the Commission determined that the same cases that the GCI parties rely on here, were inapplicable and without merit. Order at 15, Docket 05-0597. We further agreed with the assertion (made in this proceeding) that the effect of the proposed adjustment would be to "inappropriately bring the test year into the future for accumulated depreciation. Id. We observed too, that the proposed adjustment does not correlate to any pro forma capital additions or any plant adjustment proposed by any party. In the end, the Commission rejected the AG's adjustment in Docket 05-0597.

In our view, and under our analysis, the outcome of the 05-0597 proceeding is controlling on the dispute at hand. Indeed, we are shown nothing as would have us depart from the decision that the Commission set out in that matter. Staff's changed position on Reply Brief is insufficient in these premises. For their part, the GCI take little or no account of the facts, circumstances or findings in Docket 05-0597. Consistent with our prior and controlling decision on the issue, and for the same reasons, we here reject the GCI's proposed adjustment. While Staff and the GCI take exception with our reliance on the disposition of this issue in the ComEd orders, they make no attempt to distinguish the facts in that proceeding from the facts at hand. Thus, we are unable to lawfully deviate from that conclusion. Moreover, Staff effectively admits that additional record analysis is needed to allow for consideration of the GCI's proposed adjustment. This (and the arguments that the Utilities set out in reply to the exceptions), convinces the Commission that, on the evidence presented, our decision is right.

2. Derivative Adjustments

Other than GCI's proposed adjustments to the Utilities' Depreciation Reserves, discussed in Section II (D)(1) of this Order, Staff and Intervenors have not proposed any independent adjustments to the Depreciation Reserves as such. Accordingly, the Commission, as to the Depreciation Reserves, need only make derivative calculations reflecting the approved adjustments to plant in rate base.

E. Cash Working Capital

Cash working capital ("CWC") is the amount of cash a company requires to finance its day-to-day operations. PGL-NS Ex. MJA-1.0 at 3. To understand why that amount of cash is included in rate base, where it earns a return for the utility, CWC can be conceptualized as a cash advance from investors. That is, insofar as the flow of cash in and out of the utility's coffers is imperfectly balanced, and the utility requires ready funds to pay expenses as they become due, investors finance the shortfall. To calculate whether such shortfall indeed exists, and to determine its size and duration (which vary over the course of a year) for ratemaking purposes, regulators and utilities employ recognized accounting principles and methodologies.

The principle method used is the lead-lag study. It focuses on expense leads (the time intervals between a utility's assumption of responsibility for various expenses (typically, when a product or service is received) and the actual payment of those